

FY2023 WORK PLAN

Purpose

This annual work plan is being presented to the City Manager and stakeholders to identify and prioritize the engagements that the Office of Internal Audit (OIA) will conduct in FY2023.

Overview of the Office of Internal Audit

Staffing: OIA consists of three (3) professional staff members. Starting with 2,080 hours per employee and deducting holidays, leave, training, and administration time we assigned the remaining hours for audit operations in a table on Page 3.

Technology: OIA has deployed two (2) software systems in FY22 which will be used to support the FY23 work plan. The Thomson Reuters Clear system will be used to support investigations and review of the vendor file. The KnowB4 system will be used by OIA and ITS to address IT risk.

IT Security: Due to the fact that all City business operations are enabled in some way by information technology, IT security elements will be incorporated into all audit engagements. OIA coordinates closely with the Chief Information Security Officer.

Council Priorities and Environmental, Social, and Governance (ESG) Objectives: The City Council approved priorities on March 22, 2022. We have reviewed these priorities and determined that there was no immediate audit linkage save for the “Recover from the COVID-19 Pandemic” priority. OIA supports COVID recovery by assisting departments utilizing COVID-19 recovery funds which will be discussed further in this report. The priorities were all to be viewed from several lenses which align with the City’s mission, vision, and values and ESG doctrine. OIA will include elements of ESG in our individual audit engagements by coordinating with key stakeholders such as the Sustainability Coordinator, Energy Manager, Race and Social Equity Officer, and the City Attorney. One area we have identified is the Small, Woman, Minority (SWAM) owned businesses have been a concern and an audit of our vendor file may identify opportunities for process improvement concerning engagement with these groups.

Outreach and Training: OIA maintains relationships with department heads, financial representatives, and various key City stakeholders. OIA supports the City by assisting with the development of management’s fraud prevention training. In FY22 OIA conducted repeated training in support of the American Rescue Plan Act (ARPA) as well as support to the development of fraud prevention training for all employees and supervisors. For FY23 OIA will support management by working on more specific fraud, waste, and abuse training for key staff members.

Communications and Reporting: OIA informs the City Manager of developments through monthly meetings and provides additional notifications to key staff members during the financial representatives, IT Coordinators, and HR liaisons meetings. The City Audit Committee will receive a copy

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of any audit report we issue. Audit reports are posted to the external website. Engagements with internal control implications will have an executive summary posted or contain redactions.

Proposed Work Plan

Doctrine: OIA utilizes a risk-based audit approach as required by the Institute of Internal Auditors (IIA) and the Government Accountability Office (GAO) Yellow Book. Risk is reviewed at both the organization-wide and engagement levels.

Priority of Work: In February 2022 the City Manager directed OIA to prioritize fraud prevention engagements as our top priority. OIA will utilize the Managing the Business Risk of Fraud: A Practical Guide promulgated by the IIA, ACFE, and COSO¹ as the basis for our efforts.

Risk Assessment: In May 2022, OIA issued a fraud risk assessment survey to the financial representatives group. These individuals represent the primary subject matter experts in their department or division. The risk assessment survey served as a building block for the work plan.

Other Factors: In addition to the risk assessment, OIA looked at other factors to include the current operating environment, prior losses in specific areas, prior audit findings, and the professional judgement of OIA staff. Some engagements were selected based on our desire to achieve a deterrent effect even though they did not rate as high on our risk assessment. OIA will include some inspections of cash collection and inventory sites in our FY23 work plan to achieve this objective.

Audit Engagements: OIA conducts planned and ad hoc audits based on this work plan. OIA communicates with the City Manager on matters that could impact the work plan and makes adjustments on an as needed basis. Departments also communicate areas of risk which may require OIA to conduct agreed upon procedures audit work. OIA has allotted time for an emergency audit in our FY23 work plan to cover these contingencies. In addition to regular audit engagements several other tasks have been directed to be performed by OIA.

Federal and State Audits and Monitoring Visits: OIA is also responsible for monitoring City compliance with federal and state audits, reviews, and monitoring visits. Whenever a department is notified of an audit, review, or monitoring visit, they are required to notify OIA. OIA will support departments and ensure that any recommendations are closed. Federal and State audits, reviews, and monitoring visits are posted on our external website to promote transparency and serve as an accountability tool.

American Rescue Plan Act (ARPA): Following the Coronavirus Aid and Restoration Act (CARES), the City received \$57M of funds from the ARPA Act as well as other funds from the Commonwealth. Unlike the CARES Act which was subject to only a few of the provisions of federal Uniform Grant Guidance (UGG), ARPA is subject to substantially all UGG provisions. OIA identified UGG compliance as a high risk and

¹ Institute of Internal Auditors (IIA), Association of Certified Fraud Examiners (ACFE), Committee of Sponsoring Organizations (COSO).

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requested funding from the City Manager paid through ARPA funds in order to engage our contingency audit support vendor to assist the City with compliance. This effort will continue until the end of the ARPA program period in FY26.

Contracted Audits: OIA supports the Alexandria Sheriff's Office in their annual audit of the Canteen and Work Release programs. If other City departments need audit support OIA will arrange through our contingency audit support vendor, the terms of the engagement and coordinate any resulting field work, documentation collection and meetings.

Financial Statement Repository: OIA maintains a repository of financial statements which may impact City operations. OIA provides the City Manager a report which summarizes the status of the collected statements as well as other relevant trends observed.

Investigations and the Ethics and Fraud Hotline: OIA may be tasked to conduct various investigations as directed by the City Manager. OIA also officiates the ethics and fraud hotline. OIA will investigate allegations of fraud, waste, and abuse. Other allegations such as HR or discrimination reports require OIA to work with other agencies such as the Department of Human Resources or the Office of Human Rights. In all instances OIA will ensure that any allegations are reviewed by the appropriate organization and only closed with proper oversight from the City's Report Review Committee.

Proposed FY2023 Audit Engagements		
Engagement	Time Frame	Estimated Hours
Unemployment Audit (Follow-up)	1 st Quarter FY23	180
Contract Administration - Circuit Court (Follow-up)	1 st Quarter FY23	200
Physical Security Program (Follow-up)	1 st Quarter FY23	140
Closeout Count Treasury Division	1 st Quarter FY23	260
Vendor Security Audit	2 nd & 3 rd Quarter FY23	840
Payroll Audit	2 nd & 3 rd Quarter FY23	800
Contract Administration Audit	4 th Quarter	360
Inventory & Petty Cash Audit	4 th Quarter	360
Financial Statement Repository/Contracted Audits*	4 th Quarter	100
Ethics and Fraud Hotline**	-	480
Federal and State Audits/ARPA Support**	-	250
Emergency Audit	As Needed	560
		4530
* Contracted audit typically supports Sheriff's Office Canteen & Work Release Programs		
** Done on and as needed basis as reports are received.		

Comments: Please contact our office with any comments or concerns at internalaudit@alexandriava.gov